



USAID
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Quarterly Report

2nd Quarter 2009

January to March 2009

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ADMINISTRATIVE DATA

Country	Zambia
Project Title	Production, Finance and Technology (PROFIT)
Cooperative Agreement No	690-A-00-03-00172-00
Implementing Agency	NCBA/CLUSA
USAID Technical Office	SO5/Dann Griffiths
Date of Last Evaluation/Audit	N/A
Date of Next Evaluation/Audit	N/A

FINANCIAL DATA

Date of Authorization	April 1, 2005
MAARD Number	6110005.01-3-04073
Total Estimated Amount	\$ 17,549,830
Total Federal Funds Authorization	\$ 14,667,415
Appropriation	72 – 19X1030
BPC	GGAX-05-21611-1G13

PROFIT 2nd QUARTER 2009 PMP INDICATOR TABLES

PROFIT INDICATORS			BASELINE	FY07		FY08		FY 09				
Trade/Exports related indicators				TARGET	ACTUAL	TARGET	Year Total	Target	Q1	Q2	Year Total	
1	Value of purchases from smallholders of targeted commodities (domestic agricultural trade)		\$46,870,313	\$51,674,520	\$25,737,563	\$54,258,246	\$41,637,131	\$56,971,159	\$1,253,573	\$499,196	1,752,769	
Production/Sales/Value Addition related indicators												
2	Value of Food and non Food Agricultural production by USAID supported groups.		\$5,523,455	\$7,001,270	\$10,352,500	\$7,341,334	\$29,929,001	\$7,698,400	\$551,603	\$488,786	1,040,389	
3	Value of sales of all goods and services		\$5,397,833	\$6,902,500	\$11,735,880	\$7,410,350	\$30,501,720	\$7,820,432	\$1,033,852	\$710,345	1,744,197	
4	Value of resources derived from sustainable natural resources or conservation initiatives.		\$714,978	\$865,123	\$4,564,154	\$951,635	\$435,492	\$1,046,799	\$7,016	\$0	7,016	
5	Value of production per unit disaggregated by commodity sector.	Cotton (ha)	\$163	\$190	\$347	\$205	\$220					
		Honey (hive)	\$4.44	\$4.90	\$6.08	\$5.14	\$5.40					
		Red meat (animal)	\$116	\$128	\$198.55	\$135	\$141					
		Dairy (animal)					\$865					
		High Value Crop - Pineapple (ha)	\$785	\$865	\$2,500	\$909	\$954					
6	Value of production per client	Cotton	\$192	\$212	\$640.81	\$222	\$233					
		Honey	\$35	\$39	\$61	\$41	\$43					
		Red meat	\$94	\$104	\$251.10	\$109	\$114					
		Dairy					\$4,323					
		High Value Crop - Pineapple	\$628	\$692	\$1,250	\$727	\$763					
7	Gross Margin per unit	Cotton (ha)	\$10	\$11.03	\$165.70	\$11.58	\$12					
		Honey (hive)	\$2.44	\$2.69	\$3.74	\$2.82	\$3					
		Red meat (animal)	\$7.11	\$8.60	\$191.88	\$9.03	\$9					
		Dairy (animal)					\$345					
		High Value Crop - Pineapple (ha)	\$547	\$603	\$1,958.34	\$633	\$665					
8	Volume of produce processed (mt)	Cotton	19,200	24,192	35,200	25,402	28,896	26,672	0	0	-	
		Honey	347	437	15	459	299	482	280	0	280	
		Red meat	0	255	171	510	235	1020	0	4.2	4	
		Milk (Lts)				6,222,000	6,300,000	6,615,000	975,701	1,300,464	2,276,165	
		High Value Crop - Pineapple	0	1,000	109	2,000	26	2500	50	0	50	
		Technologies related indicators										
		9	Number of clients engaged in improved and/or value added processing and production disaggregated by technology type.	Conservation farming	3,200	25,000	43,000	45,000	32,924	63,000	3,144	12
Vet contract/herd management	0			1,000	672	2,000	6,297	2,500	799	1,081	1,880	
Contract production	37,500			65,000	44,635	75,000	254,254	80,000	106,100	0	106,100	
Improved honey production	0			750	0	1,000	7,246	1,250	4,000	0	4,000	
Input products and services	10,000			100,000	21,974	150,000	43,447	200,000	15,541	13,187	28,728	
10	Area or number of commodities under improved technologies	Conservation farming (ha)	3,200	25,000	43000	45,000	18,122	63,000	4,981	56	5,037	
		Vet contract/herd management (hd)	0	10,000	7,780	20,000	19,546	25,000	8,973	14,589	23,562	
		Contract production (ha)	32,000	60,000	43,015	70,000	109,016	75,000	136,050	0	136,050	
		Improved honey production (hives/Q.C trainings)	0	1,500	0	2,000	37,725	2,250	32,000	0	32,000	
		Input products and services (ha)	10,000	100,000	21,974	150,000	43,447	200,000	15,541	13,187	28,728	
11	Improved technology adoption rate (%)	Conservation farming	10%	15%	15%	18%		20%	0%	0%		
		Vet contract/herd management	0%	55%	43%	80%		100%	40%	76%		
		Contract production	25%	24%	15%	26%		28%	17%	0%		
		Improved honey production	0%	10%	0%	15%		20%	13%	0%		
		Input products and services	10%	15%	40%	20%		25%	98%	107%		
12	Number of hectares under biodiversity conservation.		3,200	25,000	43,000	45,000	18,122	63,000	4,981	0	4,981	
13	Number of hectares under managed natural resource production systems		0	366,000	0	366,000	4,166,000	366,000	0	0		

PROFIT INDICATORS			BASELINE	FY07		FY08		FY 09			
				TARGET	ACTUAL	TARGET	Year Total	target	Q1	Q2	Year Total
Finance related Indicators											
14	Value of finance/capital accessed by USAID assisted groups (borrowers)?		\$1,845,045	\$4,000,000	\$1,612,750	\$6,000,000	\$7,066,870	\$8,000,000	\$3,026,236	\$15,634	3,041,870
15	Number of loans by USAID assisted institutions disaggregated by gender	Male			42,014		86,912		84,800	1	84,801
		Female			1,028		21,727		21,200	0	21,200
		Total	32,000	60,000	43,042	70,000	108,639	75,000	106,000	1	106,001
16	Percentage of the number of loans on schedule for repayment		90%	90%	50%	90%		90%	0%	0%	-
17	Value of loans by USAID assisted institutions disaggregated by gender (lenders)?	Male	\$1,845,045	\$4,000,000	\$1,580,335		\$5,553,524		\$2,420,989	\$15,634	2,436,623
		Female			\$32,415		\$1,513,346		\$605,247	\$0	605,247
		Total			\$1,612,750	\$6,000,000	\$7,066,870	\$8,000,000	\$3,026,236	\$15,634	3,041,870
18	Percentage of the value of the lending portfolio on schedule for repayment		90%	90%	50%	90%		90%	0%	0%	-
BDS related indicators											
19	Number of clients/entrepreneurs receiving BDS disaggregated by category e.g smallholder farmers, agribusiness firms	Small holder									
		Male					167,932		99,666	11,672	111,338
		Female					99,872		32,491	3,668	36,159
		Total	37,500	100,000	118,979	150,000	376,304	200,000	132,157	15,340	147,497
		Agribusiness	2	200	234	300	2,032	400	1,988	204	2,192
20	Number of farmers reached with extension/outreach services	Male					167,932		99,666	11,672	111,338
		Female					99,872		32,491	3,668	36,159
		Total	37,500	60,000	118,979	80,000	376,304	100,000	132,157	15,340	147,497
21	Number of people reached with HIV/AIDS A & B outreach programmes	Male	0	187,500	0		1,740		1,212	5,241	6,453
		Female					1,988		1,396	5,356	6,752
		Total				225,000	3,728	262,500	2,608	10,597	13,205
Policy related indicators											
22	Number of policy areas worked on or affected if any		0	0	0	0	4	0	4	3	5
23	Policy progress milestones – Analysis, debate, submission, approval and implementation		0	0	0	0	4	0	2	3	5
Training related indicators (disaggregate by gender)											
24	Number of people trained in	Agricultural production									
		Male					162,443		96,666	11,672	108,338
		Female					102,665		31,491	3,668	35,159
		Total	32,000	60,000	118,923	80,000	265,108	100,000	128,157	15,340	143,497
		Private sector growth	40,000	70,000	119160	90,000	375,762	110,000	134,145	15,641	149,786
		Nat. Resource Mgmt & Conservation									
		Male					125,405		5,358	0	5,358
		Female					69,423		1,786	0	1,786
		Total	5,500	6,000	11,000	7,000	194,828	8,000	7,144	0	7,144

USAID OPERATING PLAN INDICATORS						
2.2 Trade and Investment Capacity	FY 08 Target	FY 08 Year Total	FY 09 Target	FY 09 Q1 Actual	FY 09 Q2 Actual	FY 09 Year Total
1. Number of events held that provided training on topics related to improving the trade and investment capacity building	2,000	2,041	2,100	628	303	931
2. Number of Capacity_Building Service Providers receiving USG assistance	300	2,032	378	1,988	0	1,988
3. Number of firms receiving capacity building assistance to export	65,750	152,000	58,800	140,000	0	140,000
4. Number of USG participants USG supported trade and investment capacity building trainings	150,000	376,304	147,000	132,157	0	132,157
Male		167,932	125,000	99,666	0	99,666
Female		99,872	22,000	32,491	0	32,491
5. Total value of exports in targeted sectors in which firms are receiving USG assistance to increase their exports	\$10,000,000	\$44,854,983	\$45,000,000	\$112,000	\$0	\$112,000
3.2 Financial Services						
1. Number of financial sector professionals trained in international standards	71	76	75	143	0	143
Male	60	47	63	119	0	119
Female	11	29	12	24	0	24
2. Number of firms investing in improved technology as a result of USG assistance (SD)	23,000	24,991	23,000	15,541	13,187	28,728
3. Number of SMEs that successfully accessed bank loans or private equity as a result of USG assistance	59,100	0	59,100	0	0	0
6.2 Agricultural Sector Productivity						
1. Number of additional hectares under improved technologies or management practices as a result of USG assistance	23,000	24,991	23,000	15,541	13,187	28,728
3. Number of agriculture-related firms benefiting directly from interventions as a result of USG assistance	300	2,032	378	1,988	204	2,192
4. Number of individuals who have received short term agriculture sector productivity training with USG assistance	80,000	265,108	100,000	128,157	15,340	143,497
Male				96,666	11,672	108,338
Female				31,491	3,668	35,159
7.3 Strengthen Micro-Enterprise Productivity						
1. Number of micro enterprises participating in USG assisted value chains	100,000	152,111	100,000	128,157	15,340	143,497
Number of micro enterprises receiving business development services from USG assisted sources	140,000	152,246	140,000	140,000	0	140,000
8.1 Natural Resources and Biodiversity						
1. Number of people trained in natural resources management and/or biodiversity conservation as a result of USG assistance	56,700	195,294	56,700	7,144	0	7,144
Male		125,405		5,358	0	5,358
Female		69,423		1,786	0	1,786

Project Highlights for the Quarter – 2nd Quarter 2009

- Despite this period being traditionally a quiet one for agricultural retail activity, the agricultural retail agents generated nearly **\$95,000 worth of new sales – primarily related to herbicides**. The strong uptake of herbicide sales throughout the growing season is a good indicator that the agent network is able to drive the adoption of new productivity-enhancing technologies, and that farmers are responding with a commercial mind-set.
- In a major development that signifies a new level of industry co-operation, **the agricultural retail sector has funded the establishment of a Croplife Zambia Secretariat**, responsible for the expansion of retail distribution networks and the promotion of Safe Use of chemicals primarily through the smallholder supply chain as well as the training and certification of all in-community agents and service providers.
- As part of a drive towards safe use of chemicals by spray service providers, **nearly 900 active spray service providers were trained and certified by Croplife Zambia** over the quarter, the majority being in the cotton sector.
- The agricultural input sector is beginning to witness a shift towards the **formalization of the relationship between principle firm and agent**. Over 200 contracts were signed between three firms and their agents over the quarter.
- PROFIT has been actively involved in the process initiated by the Ministry of Agriculture during the quarter of **reforming the Fertiliser Support Programme**, and assisting in its evolution from a state-managed delivery system to a subsidy programme based on the redemption of electronic vouchers through private sector retail networks.
- Over **780 spray service providers in the cotton sector** were actively providing contract services to clients, signifying that the process of developing such services in the sector is now well entrenched.
- **A record \$3.9m of trades was conducted through ZAMACE** over the quarter as the Exchange moved towards political recognition with a high-profile launch of its website and information dissemination system.
- After several months of negotiation, the **World Food Programme in Zambia formally amended its procurement procedures to allow it to purchase the majority of its local requirements across ZAMACE** – the first time this has happened in Africa outside South Africa and a major boost to the credibility of ZAMACE. The organisation purchased over \$900,000 of crop across the Exchange during the quarter.
- ZAMACE began an ambitious programme of establishing a network of certified warehouses to **facilitate smallholder access to the Exchange** over the coming marketing season

- **Over 1.3m litres of milk was purchased by dairy processors from the smallholder sector** during the quarter, representing a 33% increase on the previous quarter and validating the investment by the firms in extension and transportation services.
- There has been **significant interest over the quarter in silage and forage production** among smallholder dairy farmers, which is a strong example of increasing use of productivity-enhancing practices being adopted by farmers as a result of PROFIT facilitation.
- Following Bank of Zambia approval of their electronic payment platform last quarter, **Mobile Transactions Ltd recorded the company's first electronic transaction service in March** as the company began rolling out its service platform with the recruitment of 120 agents and 58 sales staff. The company is also involved in the development of the e-voucher system being proposed by PROFIT and other stakeholders as a delivery mechanism for a reformed Fertiliser Support Programme.
- In a move that demonstrates a significant effort to engage with the agricultural sector and become a market leader in agricultural financing, **ZANACO trained 30 key bank staff in agricultural credit analysis** with PROFIT assistance over the quarter, and began an initiative to engage ZAMACE on developing a warehouse receipt financing mechanism.
- Finalizing a process that started in the previous quarter and after a wide stakeholder consultative process, **PROFIT submitted to the Bank of Zambia a document outlining legislative reform around leasing**, for onward submission to the Ministry of Justice for formulation into law.
- There has been no progress in accessing **early release of FY09 funding** and project activities will be reduced during Q3 and Q4. This will negatively impact project performance and results during the lead up to the 2009 production season.

Fostering a sustainable and growing spray service delivery platform increasing smallholder productivity

Achievements against benchmarks

1) Sprayer service providers training manual developed

- A comprehensive sprayer service training manual focusing on the key area of Safe Use of Chemicals was developed and published over the previous quarter by PROFIT and Croplife Zambia, and approved by the wider agro-chemical industry. Over 111 copies of this manual were distributed to the service providers within the agro-chemical industry during the quarter under review bring the cumulative total of manuals distributed this year to 961.



SSPs who attended the Croplife Chemical safe use training, Chama, Eastern Province

2) Clearly developed certification, recertification and testing regime developed and adopted by CROPLIFE members

- CropLife has engaged a full time staff member funded entirely from contributions by the agro-chemical companies themselves to manage its secretariat to facilitate certification, recertification and testing process, including the development of certification standards.
- Following the recruitment of the full –time staff member at the CropLife secretariat, preparations are in progress to subject all spray service providers (SSPs) to industry based standardized training that will form the basis against which the SSPs will be tested, certified and licensed to offer the sprayer service to the smallholders. The SSP's will later have an opportunity to renew their practicing license on an annual basis upon payment of a fee and re-testing.

3) 600 trained and certified Sprayer Service Providers actively servicing over 9,000ha during the peak season. (400 on limited budget)

- Over the quarter, 89 SSPs were selected and trained by 4 companies: ATS, Minelands, Cropserve and Landserve. A cumulative of 286 SSPs have been trained over the last two quarters
- 54 SSPs were tested and consequently certified to Croplife standards over the quarter, pushing the cumulative total of SSPs tested and certified over the last two quarters to 172.

- PROFIT recorded activity of the spray service providers on 450 hectares, mainly in Southern Province, Chongwe, Mumbwa, Mkushi and Mpongwe Districts and mainly spraying herbicides.
- However, due to the difficulty in verifying the activities of each individual service provider, it is acknowledged that the actual number of hectares under contract is likely to be significantly higher. Over the last two quarters a total of 800 hectares have been sprayed.

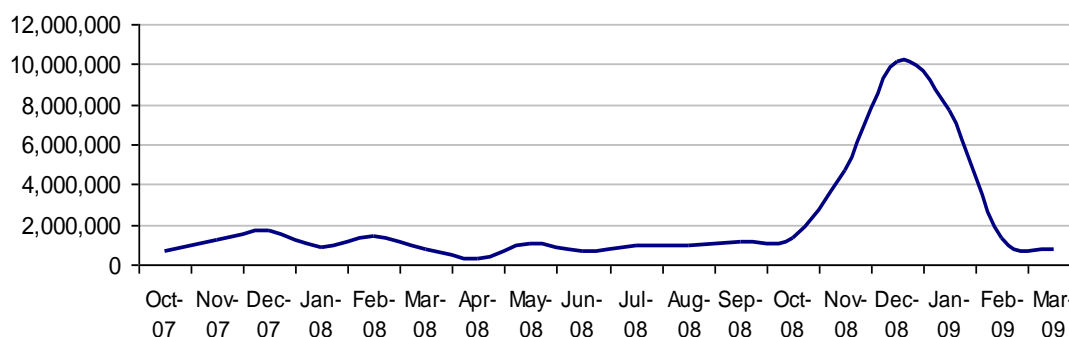
4) Industry Accreditation/Identification process of SSPs internal to a firm developed

- The process of accreditation and identification of SSPs through CropLife has started with the development of a CropLife Identity Cards as proof of certification. The procurement of the software, printer and laminator for use is complete.
- Additionally, the SSP's will receive as part of their certification, personal protective equipment branded as Crop Life for the year of certification. To date 961 Protective kits has been distributed to SSPs.

5) All firms develop in-community promotional marketing strategies and actively investing in the spray service providers' capacity to operate in the smallholder market

- The process of selection, testing and certification of service providers is, in many cases, fully internal to the agricultural retail company. Cropserve, for instance, has been active in this field, engaging and training 52 service providers in Southern, Central and Copperbelt. The other companies that have trained and tested SSPs are Minelands in Mumbwa, which trained eight, and Landserve in Mkushi which trained two SSPs.
- The process of review meetings, to check the quality of service delivery and to upgrade the capacity of the spray service providers has been demonstrated by many firms this quarter. A total of 20 review meetings were done by 10 companies during the quarter.
- Over 157 field promotions, promoting herbicide use and the benefits of spray service provision and various crops such as maize hybrids conducted without PROFIT assistance by five firms in strategic alliances with the seed firms by the end of the quarter.
- ZMK9,773,000 (\$1,800) worth of sprayer services sales were purchased by over 5,269 smallholders during the quarter under review, bringing the total spray service sales for FY 09 to \$5,300 (since this activity is not directly supported by the project, reported data under-reads the field position)

SPRAY SERVICE SALES (ZMK)



6) Develop clear and simple pictorial message guides for service providers, in-community agents and farmers.

- PROFIT started to work with Croplife on the development of pictorial messages as more accessible, simpler knowledge transfer tools to the spray service providers and farmers. This work will continue for inclusion in refresher courses starting May 2009.

Additional Achievements

- Aware of the prohibitive cost of conventional forms of protective clothing, over the quarter PROFIT facilitated the design of an 'appropriate technology' PPE work-suit. The programme has since facilitated the distribution of over 961 work suits to Croplife certified spray service providers, along with a basic protective kit of goggles, mask and gloves. Croplife branding is seen as a significant step towards a national certification process.
- PROFIT and Croplife continued to work on an identity card for certified spray service providers for use as a marketing tool. The work should be concluded in the next quarter.

Challenges

- Firms continue to focus more on the process of *training agents* than on the service platform, suggesting that they are not convinced of the importance of the spray service as a platform for sales. However, since the aim is to increase sales of productivity-enhancing agro-chemicals, if farmers are purchasing and applying chemicals effectively and safely without resorting to buying a spray service and as a result of the extension efforts of the retail firms, then they may see the spray service as a transitional phenomenon.
- Where there have been spray service providers trained, there is still a poor monitoring system of the service platform by the firms.
- No contracts have been signed between firms and spray service providers, thus keeping it an 'informal' relationship.
- Slower than desired progress has been made on defining the certification process of the spray service providers.

- Numbers of service providers are not increasing at the same rate as the demand and uptake of the products by the farmers.
- The promotion of the 'bundled service' with the product and service combined into one sales package still remains a challenge. This will be reflected in strategic focus for the 2009 season.

Activities planned for next quarter

- Continue facilitating the development of the sprayer service trainings with appropriate and 'user-friendly' training.
- Continue fostering industry players to come up with testing, certification and re-certification regimes including:
 - a *clear and strong public relations effort* to establish value in the smallholder market
 - encouragement of spray service providers and *input firms paying for certification* and recertification
 - assist sprayers and input firms develop internal training that complies with certification requirements
- Continue rolling out the basic protective clothing kit to successfully trained and certified spray service providers.
- Continue working with the service providers in promoting the sprayer service platform. Farmers will need to build trust in the service providers and hence multiple strategies toward marketing the service will be important.
- Continue working with the firms in the scaling up of strategies for the service providers.
- Continue to stimulate firm-firm strategic alliances as the mechanism to offer bundled services.
- Continue with the review meeting to analyse the challenges and successes for the last season and lessons learnt and come up with the way forward.
- Encourage CropLife members – senior manager meeting to consolidate the progress and encourage continued buy-in.

Input Market Pathway: Theme 2

Fostering expanded agent network development and improved firm level management

Achievements against Benchmarks

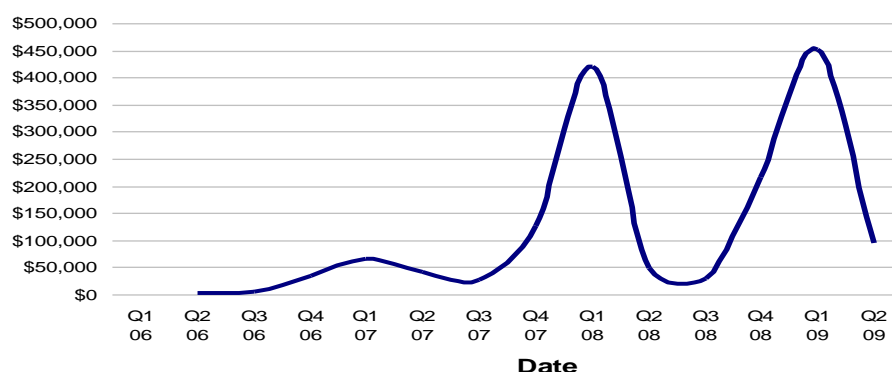
1) In-community Service Provider (ICSP) management training manual developed and distributed to all firms

- The training guide for the management of agents has been compiled by PROFIT and representatives of the agricultural retail industry, and will be produced in booklet form over the next quarter for use by agent management staff within firms.

2) At least 1,000 Community Agents and Sub-agents trained and actively servicing the Smallholder market (600 on limited budget)

- Over the quarter, 79 new agents and sub-agents were recruited, bringing the overall number of active agents to 1,310.
- 12,297 farmers attended in-community promotions during the quarter, of which 9,202 (75%) were men and 3,095 (25%) were women.
- Significantly, over the 2nd quarter, the agent network across the country generated \$94,078 worth of new sales, comprising mainly vegetable seed, chemicals for vegetable production and herbicides. The escalating demand for herbicide is proof that the agent network is able to successfully drive the adoption of new productivity-enhancing technologies as herbicide is seen as a key indicator of commercial production systems – rather than either seed or pesticides.

Ag-Input Sales (Products and Services)



3) 14 Input firms integrating ICSP's into their business model (11 on limited budget)

- 13 firms continue incorporating the ICSP into their business models. These include Minelands, ATS, Twiga, Cropserve, Croppack, Mana-agro, Pannar, MRI, Zamseed, Pioneer, Landserve, Prime Agri and AFGRI.



- 206 agents have this quarter formalized their relationship with their principles. Cropserve signed 30 contracts in Mumbwa and MRI, Zamseed and Pannar signed 176 contracts with their agents in Southern Province

4) At least 600 new In-Community Service Providers recruited by all firms targeting over 100, 000 Smallholders

- 118 ICSP's (including spray service providers, agents and sub-agents) were recruited, trained and actively servicing the smallholder farmers during the quarter, pushing the cumulative total of ICSPs recruited and trained over the past two quarters to 417.

5) 14 Firms taking on increased ownership of the agent network development and management as measured by investment in trainings and incentives (11 on limited budget)

- An additional one firm has shifted towards serious 'ownership' of the agent network bringing the total to six firms namely Cropserve, Zamseed, Minelands, Pannar, Twiga/Sygenta and MRI. These firms have all dedicated management resources, conducted trainings, initiated agent selection and training processes without PROFIT assistance. For instance, Cropserve conducted business trainings to its agents in March 2009, without the support of PROFIT.
- Seven firms have conducted agent network review meetings during the quarter to analyze the successes and challenges, including forecasting for 2009 of this new form of business model. The firms include MRI, Minelands, Zamseed, Cropserve, Minelands, Pannar and Landserve
- MRI and Minelands continued to provide incentives based on sales turnover to their most active agents.

6) 14 Firms investing in agent network capacity building to consistently hold promotional events at key points of time harvest, growing, cultural festivals, planting, and other times when opportunities arise. (11 on limited budget)



MRI Field promotion, Eastern, Zambia

- 2 firms developed innovative marketing strategies that focused on opportunistic events at which numbers of farmers and potential clients are gathered together. These included rural music festivals, cultural events and religious gatherings. Pannar seed and MRI marketed their products at the Nc'wala traditional ceremony of the Ngoni people in the eastern province.



Farmer displays his crop at Lundazi field promotion



MRI seed stand at field promotion, Lundazi, Eastern Zambia



Nyau dance popularly known as Gule wamukulu performance at MRI field promotion

7) Simple pictorial input information guides developed for all agricultural input product groups being used by all ICSP's across the platform.

- The pictograms have been developed and work is likely to be finished in the next quarter.

Additional Achievements

- Demand appears to be growing among the agricultural retail firms for a round of PROFIT-facilitated strategic planning meetings with senior and middle management to improve on the management of the agent network.
- This quarter has seen increased levels of cooperation among the different firms with several informal strategic alliances forming, such as those between Pannar and Cropserve, Zamseed, Mana-agro and Pannar and ATS.
- Discussion continues between ZESCO and the sprayer service providers for Cropserve in the southern province to offer them the contracts of spraying under the Zesco power lines.
- A new PROFIT client, Export Trading Company (ETC) is planning an aggressive expansion into the smallholder fertiliser market, with a view to both cash and crop-swap sales from over twenty rural sales points. The company began conducting promotions with farmer groups over the quarter, with the first held in Choma, which was attended by over 100 farmers.
- Over the quarter, PROFIT has been heavily involved in the process of Fertiliser Support Programme reform. Following a study tour of other regional agricultural subsidy programmes by a group of stakeholders, the Ministry of Agriculture has been willing to engage in dialogue moving towards the implementation of a reformed subsidy programme based on the issuance of electronic vouchers for redemption through private sector agricultural retail networks. PROFIT, and its ICT client, Mobile Transactions Zambia, have been engaged in developing and promoting the concept of electronic vouchers based on the electronic transaction platform developed and managed by Mobile Transactions with PROFIT assistance. The aim of the electronic voucher system is to build upon the existing technological and physical infrastructure of the e-payment and transfer system to facilitate easy access to subsidy programmes by targeted

beneficiaries without distorting existing markets by the physical delivery of the subsidized goods or services. In fact, the key feature of a voucher programme is its ability to stimulate markets by increasing the spending power of the beneficiary populations. The electronic voucher system that is being designed by Mobile Transactions will feature a number of critical benefits to the managers of an agricultural input subsidy programme:

- The numerous safeguards prevent duplication and fraud
- Targets and tracks individual farmers
- Links voucher to NRC and district
- Provides proof of redemption and delivery
- 'Real-time' process means no delays in operation
- Multiple 'real time' reporting possibilities allow full management control
- Fully auditable process

Challenges

- Only five firms have moved towards formal contract signing with their agents, resulting in a lack of transparency in the relationship between the two entities.
- Despite some firms dedicating management to the agent network, a failure to equip the staff with the necessary logistical resources has meant that this initiative has not had the positive impact that was expected of it.
- There is still considerable work to be done to improve the ordering and delivery systems that are critical to the success and expansion of the agent sales process.
- Delayed selection and training of agents by some firms resulted in low sales during the peak sales season.
- Lack of actively conducting field promotional meetings by some firms which is critical this quarter
- Sections within the Ministry of Agriculture are unwilling, for a variety of reasons, to engage in the FSP reform process, which has meant that progress towards the development of a phased roll-out of an electronic voucher system to replace the state fertiliser delivery mechanism has been slow. The plan mooted by the Minister of Agriculture proposes the roll out commencing in 2009, which leaves only a very short time frame to achieve a significant amount of work.

Activities planned for next quarter

- Continue developing, with the firms a specific ICSP management handbook suitable for industry-wide application, standardizing agent and firm roles and responsibilities. The booklet will establish, among other issues guidelines for:
 - Training and upgrading responsibilities
 - Ordering procedures
 - The sales and delivery process
 - The establishment and responsibilities of a dedicated internal resource to manage the agents
 - Service platform opportunities

- Review meetings and the subjects that require coverage
 - Promotional procedures
 - Performance-based incentive structures
- Continue mentoring firms to further consolidate their market presence through company-specific innovation
- Continue promoting sub-agent initiatives as the scale-up strategy for the firms
- Continue working with firms to develop and implement and enhance their performance based incentive schemes to reward high performing agents/ICSPs, encouraging innovation.
- Work with Croplife Zambia to develop and structure the process of early input acquisition of inputs by companies to manage the early supply of products to the smallholder farmers.
- The programme awaits the opinion of the Ministry of Agriculture and the Cabinet on a comprehensive implementation plan developed by PROFIT and others for a phased transition of the Fertiliser Support Programme submitted at the end of the reporting period. If the Government approves the process, PROFIT will immediately put technical resources towards assisting Government and the agricultural retail industry to implement the reform programme.

Input Market Pathway: Theme 3

Fostering inter-firm cooperation to address common crop industry issues

Achievements against Benchmarks

1) Industry certifies 100% the current trained and active spray service providers

- 63 additional spray service providers were trained and tested by the firms over the quarter which is an increase of 23% over the last quarter's figure of 272 SSPs. This brings the number of SSPs trained for FY 09 to 335

2) Certification process clearly defined and accepted by all Croplife members

- PROFIT started working with Croplife on this initiative, which will be completed in the next two quarters with CropLife members ratifying the process at a meeting to be held in Q3.

3) Retraining and re-certification of at least 80% of the industry trainers

- The re-certification process will start for the Croplife accredited trainers in the final quarter of the year with a planned training of trainers to both old and new trainers by April in the next quarter.
- Croplife secretariat established and one staff employed and has started the process of making follow ups to the service providers to check on the quality of service.

Challenges

- The process of developing a clear certification process has been slower than expected
- Some of the accredited trainers of trainers have contributed very little to the industry in terms of the trainings offered to farmers and spray service providers. The challenge remains to ensure that all input suppliers have in-house trainers.

Activities planned for next quarter

- Work with Croplife Zambia to come up with the enforcement process which is necessary to police the standards set by the organisation.
- Continue to work with Croplife on the retraining and recertification process of trainers and certifiers to be done on the April 21st to 24th April 2009.
- Use the Croplife collaborative platform to seek opportunities for additional commercial strategic alliance formation.
- Work with the new Croplife staff to start the process of identity cards production for certified agents as well as radio programs to market the organisation.
- 25 trainers of trainers are planned to be trained and re-trained respectively by CropLife international in the next quarter as a follow up to the plan developed in November. Organisation logistics for the training has been done.

Input Market Pathway: Theme 4:

Stimulation of commercial tillage service provision – a critical productivity constraint

Achievements against benchmarks

1) Improved business skills developed among Tillage Service Providers (TSPs) to pro-actively provide early land preparation service as measured by number of commercial tillage contracts

- Despite Q2 being quite for tillage services 12 farmers over the quarter under review. 56 ha were tilled. Despite the low figure of ha done during the quarter, tillage service providers have intensified the service promotion in readiness of the coming season, which commences around May. The total number of smallholders that accessed tillage services for FY 09 came to 3,156 and the hectares ripped increased to 4,237ha from the previous quarter figure of 4181ha. Of this total, 1,556ha (49%) are under mechanized ripping

2) Contract models developed and in use along with prepayment concepts for TSPs

- Five TSPs have developed and signed written contracts with 48 smallholders for mechanized tillage during the quarter under review.

- Intensified in-community tillage service promotions for mechanized tillage services are been held by the TSPs to create awareness of the service availability, including the benefits of contracts.

3) At least 20 new two tine rippers purchased by TSPs

- 3 tractor drawn low-cost rippers were purchased from Akajoel Enterprises (a small fabricator in Southern Province that has received technical support from PROFIT) by three farmers from Mumbwa and Monze. This brings the total number of tractor drawn rippers to 6 over the last two quarters. Of the three farmers that purchased rippers, two are actively promoting tillage services in the Mumbwa Big Concession area.
- At least 2 small, two-tine rippers adapted from the Magoye Ripper have been manufactured by Akajoel Enterprises for demonstration purposes, to be coupled to the small tractors (20-25HP) supplied by Farmnet. It is planned that such low-cost tractors and implements can target the farmers that are unable to purchase, or find commercial finance for larger tractors.



4) At least one tractor Service Company supporting tractor operators providing commercial tillage services.

- Tractorzam is still keen to provide tractor technical services and spares back up to farmers in respective 4 zones in Mumbwa as well as other areas and work with Farmnet continues as they develop procurement options for the 2009 tillage season.

5) At least 1000 new Magoye rippers sold through commercial channels by September, 2009. This gives an increase of 147% compared to last year's figure of 680 rippers sold.

- No new rippers were sold during the quarter under review. 1,212 rippers were sold during the last quarter. Additional rippers are expected to be sold to farmers in the next quarter as the smallholder cash flow improves. The breakdown of the 1,212 rippers sold in the last quarter is as below:

Region	Number of rippers sold	Service Provider
Mumbwa	500	Minelands & Croppack
Northern region	302	Cropserve & Minelands
Southern region	380	Cropserve
Chongwe	30	Minelands
Total	1,212	

Additional Achievements

- A field day was conducted in Mkushi by Conservation Farming Unit on ripping. This was attended by agents interested in promoting the equipment through their outlets.

- By assisting in preparing the business proposal, profile and net worth statements for Akajoel Enterprises, PROFIT has facilitated access by the firm to K85m from Barclays for materials to be used in manufacturing minimum 12 rippers for sale in the 2009 season.

Challenges

- Cotton firms that were supposed to procure rippers for selected tillage service providers in the cotton sector failed to deliver or in some cases delivered them very late.

Activities planned for next quarter

- Facilitate tillage service providers' trainings.
- Continue working with CFU on the promotion of ripping, training of tillage service providers and marketing of rippers.
- Promotion of tillage services as the lands dry out after the rains.

Achievements against Benchmarks

1) At least two cotton companies adopting more professional management strategies involving a rationalization of their production base to exclude non-contributing farmers and rewarding of the most productive farmers.

- After the launch of the Dunavant 'Gold Club' for its preferred suppliers, which number approximately 16,000, in October 08, there has been no further progression by either of PROFIT's other clients, Birchand and Cargill (both operating in Eastern Province) towards developing a similar incentive system.
- The Dunavant 'cotton scheme', the outgrower management information system designed with PROFIT support by Mobile Transactions Ltd, was finally commercially implemented over the quarter, allowing the historical yield and credit performance of each grower to be analysed.

2) 800 qualified and active spray service providers in the cotton industry (600 on limited budget)

- Over the course of the previous reporting period, 1,356 spray service providers in the cotton sector were trained by a combination of the cotton companies, agricultural suppliers and PROFIT, broken down as follows:
 - Birchand trained 406 new service providers
 - Cargill trained 239 new service providers
 - Dunavant trained 711 new service providers
- The major initiative, conducted by PROFIT and the cotton companies over the current quarter was to follow up on those service providers who had been trained, and certify those that are commercially active to Croplife Zambia standards of safe use. Those that passed a certification theory and practical test were provided with a basic personal protective clothing kit consisting of gloves, mask, eye protection and basic spray tunic. PROFIT subsidised the cost of these kits. The following spray service providers were successfully certified during the quarter:
 - Birchand certified 360 service providers
 - Dunavant certified 462 service providers
- Due to major delays in the importation of ULVA+ spray equipment, Cargill was unable to establish any spray service providers, despite the earlier trainings. The company plans to start training and certifying the spray service providers well in advance of the 2009 planting season.
- While final confirmation remains to be done, the cotton companies are confident that over 780 spray service providers were commercially active during the quarter.

- Over 1,900 ha of cotton will have been covered by season-long spray services by qualified spray personnel
- The value of the services to the spray service providers will amount to approximately \$13,000



Newly qualified and certified Spray Service Providers in Katete, Eastern Province, show off their protective clothing kits

3) 400 trained and active tillage service providers (250 on limited budget)

- Over the course of the previous quarter, Dunavant and Cargill trained a total of 170 tillage service providers, from an approximate total of 320 oxen owners who expressed interest. It is estimated, though, that only 60 service providers were actually active within the cotton sector prior to the 2008 planting season.
- Since the reporting quarter falls over a time of year when no land preparation activities are undertaken. As a result, no further tillage service providers were trained or engaged.

4) At least 10,000 ha of early land preparation carried out prior to 2009 planting season

- There was no land preparation done during the quarter to add to the estimated 800ha of cotton that was planted in land that had been ripped prior to the beginning of the 2008 planting season.

5) At least five farmers affiliated to cotton companies receive finance for tractors for the facilitation of ripping and haulage services

- To date, efforts by PROFIT to facilitate the integration of commercial equipment leasing facilities into the cotton sector have not yielded any success, despite the commitment by Dunavant to support some of their stronger distributors with forms of guarantee. The only tractor to have entered the cotton sector was one provided by Dunavant to a top-performing distributor in Mumbwa in October 08 as a demonstration on the viability of a ripping and haulage service-based business model.
- However, PROFIT is working with an equipment dealer in Lusaka, Farmnet, to design and market a package comprising a small, 20-25hp tractor, a trailer and a modified ripper into the cotton sector, with Dunavant expressing an interest in acting as a guarantor on any supply chain credit that their 'Gold Club' distributors may be able to

access. It is planned that the package will be promoted, following field tests of the ripper, in the next quarter.

6) Achieve full implementation of the Dunavant preferred supplier programme

- The final version of the Dunavant 'Gold Club' scheme, its criteria for membership and its various incentives has now been completed, including a 10% discount on input costs through the loan system, access to other forms of credit for oxen and rippers and special Gold Club pens and bags. There are approximately 16,000 members, though more are expected to apply during the course of the year.

7) Involvement of at least two agricultural retail companies in at least two cotton production networks, either in agency agreements with the companies or directly with the farmers and spray service providers

- In October, Dunavant agreed agency contracts with Seedco, ATS and Twiga to stock seed and chemicals in selected Dunavant sheds in Central and Eastern Provinces, whereby Dunavant received a commission on sales and the retail companies provided some technical training on their products. Sales were broken down as follows:
 - Chemicals: ATS, \$10,322
 - Chemicals: Twiga, \$2,150
 - Seed: Seedco, \$89,776
- However, even with the Seedco figures, the commission earned by Dunavant (an average of 12%) was not deemed sufficient, particularly in light of stock and return issues. As a result, Dunavant is now investigating the development of supply relationships between the 'Gold Club' members and the agricultural input supply industry that are facilitated rather than implemented by Dunavant itself.

Additional Achievements

- Dunavant are now committed to internalizing the identification and training of spray and tillage service providers. PROFIT assisted over the quarter to develop a business training manual that will be used by Dunavant staff to train service providers and distributors in basic business skills, to compliment the technical training they will be given.

Challenges

- With farmers still leaving the sector, and international cotton prices down 40% from last year, the industry is still in a serious crisis. While the 30% depreciation of the kwacha will have partially righted the balance, the major firms will continue to post losses in 2009.
- Due to the difficult local operating conditions and the global credit crisis, several of the new entrants in the industry over the last three years are reducing their pre-harvest investment in input credit and extension, leading to fears that pirate buying will increase in 2009. An interim Cotton Board (a precursor to the official Board to be established once the Cotton Act is passed) is now in place, but doubts remain whether it will have the enforcement 'muscle' to curtail the practice.

- Even with a major crisis within the industry which requires an equally robust and dramatic response, strategic decision making within the industry remains slow.
- Late sourcing and delivery of rippers and ULVA sprayers, particularly by Cargill, resulted in many trained service providers not being able to provide services to their farmers. These frustrations have allowed both the staff and service providers to become very sceptical of the whole process.
- The credit culture within the cotton sector continues to dampen the 'enterpreneurial spirit' within many service providers as they expect everything to be done for them.
- Availability and easy access to durable batteries still poses a challenge to many SSPs, particularly in the more remote areas.
- Third party retail firms with stocks at the Dunavant sheds were not proactive in their engagement of the market, and were only interested in making sales rather than being solution providers to farmers – a traditional shortcoming of static input marketing systems.

Activities planned for next quarter

- Assist Dunavant in its efforts to internalise service provision development in providing a training-of-trainers course for the YIELD staff, in order for them to be adequately equipped to provide the business and technical skills training to the service providers.
- While Dunavant are delivering the business training programmes, PROFIT staff will provide mentoring assistance
- In conjunction with Farmnet, PROFIT will attempt to facilitate the purchase of small tractor 'packages' by high-performing cotton farmers and distributors
- PROFIT will work with the cotton companies and agricultural retail companies to ensure that early in the cotton marketing season, non-cotton inputs are accessible to farmers at a time when they have liquidity. This includes fostering a process of integrating fertiliser distribution into the cotton networks.

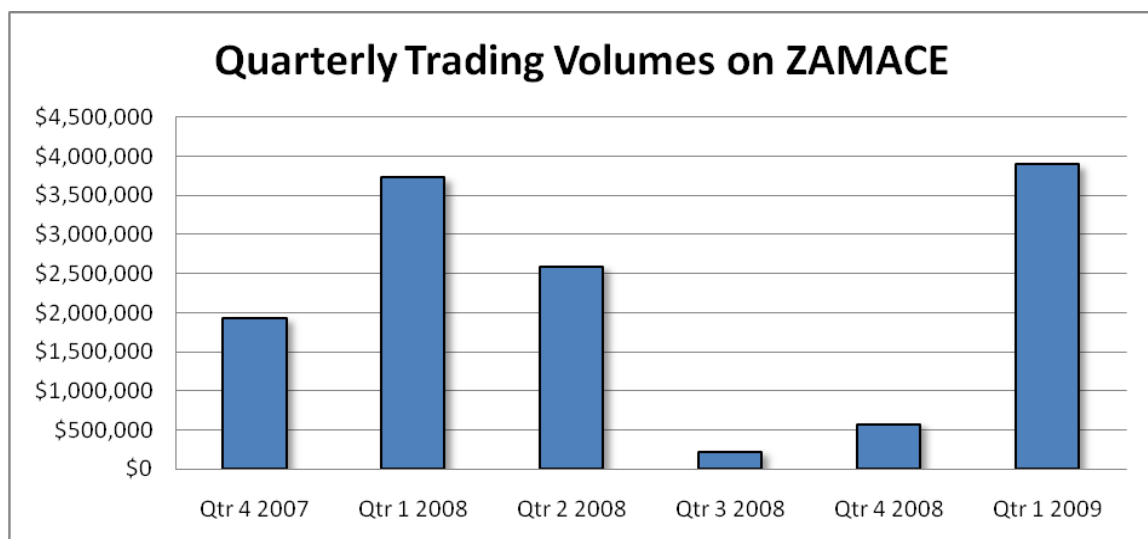
Output Market Pathway: Theme 1

Supporting ZAMACE to maturity by fostering inclusion of smallholder producers

Achievements against benchmarks

1) At least \$50m of cumulative trades completed on ZAMACE, affecting a significant move towards self-sustainability

- The first two months of the reporting quarter saw almost no transactional activity on ZAMACE. The continued supply by the Food Reserve Agency of heavily subsidised white maize to the milling sector dampened any commercial sale of the commodity, while protracted negotiation between the FRA and the major grain traders regarding the purchase by the FRA of local stock was responsible for the stagnation of the market until the negotiations had been completed. The drop-off of any local wheat buying activity by the milling sector due to imports (both legal and illegal) and dampened demand further added to a dormant market situation. Also, the heavily distorted market and unclear signals created incentives for the trading community (including ZAMACE brokers) to conduct what little trading activity there was off the Exchange.



- In March, however, a number of factors dramatically increased trades recorded across the Exchange, bringing the quarterly Exchange total to 9,700t worth \$3.9m :
 - The finalization of the World Food Programme local procurement mechanism allowed the selection, through tendering, of a WFP broker on ZAMACE. This was shortly followed by a series of WFP bids, which led to completed trade of 2,450t of white maize valued at over \$925,000.

- The completion of negotiations between the Grain Traders Association of Zambia and FRA over local purchase allowed some clarity to return to the market which resulted in increased activity
- The soya market for 2009 harvested crop opened in March
- A change in ZAMACE rules to require ZAMACE brokers to 'register' trades that they complete off the Exchange came into effect. This is essentially a compromise solution that acknowledges such trades without them being viewed as violations of previous, unenforced rules that compelled members to conduct all business across the Exchange. 'Registered' trades are covered by ZAMACE contracts and come with the security of ZAMACE arbitration. The inclusion of registered trades added \$2.8m to the quarterly transactional total, for 6,700t of crop.

2) 5 mid-level traders offering ZAMACE-based pricing in their aggregation of crop, and offering a variety of value-enhancing services to smallholders and small traders in the districts

- Currently no mid-level traders have been engaged, but in March, in conjunction with the Zambia National Farmers Union, ZAMACE undertook a series of meetings in Kabwe, Mumbwa, Petauke, Choma and Monze to identify potential warehouse operators and traders and determine the requirements needed to encourage them to participate in more transparent smallholder maize aggregation for the benefit of both the trader and the farmer. A total of 65 business people –mainly local grain traders - in these districts showed great interest in the offers that ZAMACE proposed, and ZAMACE is now meeting a selection of these business people on a one-on-one basis to both certify their storage facilities and assist in the compilation of their business plans.

3) 5,000 tons of smallholder crop transacted across the ZAMACE trading floor with measureable benefits reaching the producer (300mt on limited budget)

- No direct smallholder maize was transacted across the exchange in the quarter. However, along with the identification of potential public warehousing facilities in the main agricultural districts, work continued on two other initiatives that will ensure meaningful smallholder participation on ZAMACE over the 2009 marketing season:
 - **Collaboration with PAVIDIA:** In a joint initiative with the JICA-funded Participatory Village Development in Isolated Areas (PaViDIA) programme and MACO in Chongwe, ZAMACE has inspected and is in the process of certifying over 20 village warehouses which will act as small aggregation points for smallholder crop to then be marketed by village committees through the Exchange. The training of the shed committees and shed management personnel will take place during the following quarter.
 - **Collaboration with World Food Programme:** WFP, with PROFIT assistance, has defined its smallholder procurement programme under its Purchase for Progress initiative. The initiative will involve the selection and ZAMACE 'accreditation' of aggregation points in targeted districts and the purchase of the crop across the exchange floor for maximum transparency. WFP Zambia has demonstrated its commitment to ZAMACE and the benefits it provides with the

first ever trades by WFP across a privately owned commodity exchange outside South Africa.

4) *An automated or semi-automated trading platform established*

- The development of an online solution to ZAMACE's current manual trading process was completed during the quarter. While the new process does not match and complete trades, it allows the submission of bids and offers in a standardized format into a database from which trading information sheets are derived, trades monitored and matched, and SMS and email price information disseminated. During the design phase it was felt that a fully-automated trading system was unnecessary and counter-productive at this stage of the development of ZAMACE when human oversight is critical in the establishment of integrity in the trading process.
- The development of the ZAMACE website was also completed, and both the website and the trading platform were launched at a high-profile event in March officiated by the Minister of Finance and National Planning, Hon. Situmbeko Musakwatane, and the US Ambassador to Zambia, Donald Booth.

5) *The inclusion of two major banks in ZAMACE-related finance activities (warehouse receipting and other forms of commodity finance)*

- No banks have yet engaged fully with ZAMACE in financing activities.
- However, Stanbic Bank now supports ZAMACE with a Settlement Bank facility whereby, upon signing of a standard ZAMACE contract, payment for the parcel would be received into a ZAMACE holding account prior to delivery. Upon confirmation of satisfactory delivery, the payment will then be transferred to the Seller's broker by ZAMACE. The process is designed to mitigate the risk of default or delayed payment by the Buyer and thus add to the 'secure transaction' that the Exchange offers.
- Productive negotiations with ZANACO and Rabobank over the quarter have resulted in the formulation by the partnership of a comprehensive technical assistance package to be provided to ZAMACE related to warehouse receipting and other ZAMACE-related financing, with a view to ZANACO becoming a market leader in this area. ZANACO have also expressed an interest in taking a non-trading seat on ZAMACE in the near future.

Additional Achievements

- Another broker successfully applied for membership of the Exchange. The company has good links with the milling sector and has committed to focus on some of the smaller trades, including those from the smallholder and emergent sectors.
- The Professional Indemnity insurance package that effectively covers the brokers against client default and ensures their ability to honour a completed contract was finalised during the reporting period. The package covers \$500,000 of contract default over an annual period, in any number of separate claims. With this and the settlement bank function in place, ZAMACE can effectively 'guarantee' settlement of a contract.

Challenges

- In the confused grain market environment that dominated the reporting period, commercial grain trade continued to be suppressed by government-subsidised maize and low wheat prices
- The incentives for high-margin trade by the brokers, maximizing income from low turnover and taking advantage of unclear market signals, were too great, and therefore the majority of grain trades recorded during the quarter was off-exchange. This issue has been addressed now by the 'registered trade' rule, and significantly higher turnover has been observed as a result of this change.
- As yet, no trades have been completed through the settlement bank process so that has not been an opportunity to prove its worth
- The PROFIT ZAMACE grant expires during Q3. Currently there is no budget line to support ZAMACE beyond this grant. Income levels are low and this presents a critical challenge to ZAMACE existence.

Activities planned for next quarter

- Particularly in light of the political spotlight put on ZAMACE during the official launch event, efforts need to focus on ensuring smallholder participation and benefit from ZAMACE activities. The development of certified district-level public storage is one priority, and so is the definition of the role of the mid-level trader or local broker.
- Enforcement of the registered trade rule will be continued, and in light of a rapidly falling soya market, it is believed that a large proportion of soya trades will pass through the Exchange to take advantage of the arbitration facilities enshrined in the contract

Output Market Pathway: Theme 2

Increasing smallholder participation in and benefit from the commodity output markets

Achievements against benchmarks

1) At least 10,000 farmers engaged in either contracted or guaranteed off-take production with a non-cotton lead firm (2,000 on limited budget)

- This quarter saw the completion of the Forest Fruits honey collection process for 2009, during which 280t of honey worth \$150,000 was purchased from 2,500 beekeepers in North Western Province.
- In January, PROFIT ended its support for the Freshpikt pineapple supply chain development in which 400 farmers were selling crop into the canning plant, due to the severely delayed payment of producers that irreversibly damaged hopes of developing a productive commercial relationship.

- No further non-cotton producer-processor relationships were entered into over the quarter.

2) Five lead firms operating some form of out-grower scheme engaging farmers for specific production needs.

- No further non-cotton producer-processor relationships were entered into during this quarter.

3) Initial limited commercial trials of upland rice initiated with SCCI and producers

- After considerable administrative delays, 1000kg of 3 varieties of upland rice (Nerica 4, 10 and Suparice 1) were imported from Uganda by Zamseed with support from PROFIT and planted in 4 pilot locations as late summer irrigated sites with 2 sites to be planted as early winter irrigated options. One of the sites represents smallholder irrigated rice practice in Mongu and the 3 other locations represent middle altitude commercial farmer practice. Each of the sites is at least 2000m² in extent and at the time of reporting is just prior to head initiation. Weed control has been by hand except on one site where post emergent broadleaf herbicides have been applied. Growth is excellent despite some patchy stands and as yet no disease has been observed. All sites are financed and managed by the farmers.

Additional Achievements

- Significant progress was made on the Chanyanya Smallholder Project over the quarter, with the installation of the first phase of irrigation equipment, the development of an operational plan for the smallholder-managed lands and the successful communal weeding of the first smallholder maize crop.

Challenges

- Cash flow problems and transparency issues have made re-establishing trust between Freshpik and pineapple growers in North Western Province very difficult.
- A dampened market for oil-seeds has reduced the incentives for two of PROFIT's clients of the previous quarter (Zamanita and Ndyabaluba) to engage a smallholder production base

Activities planned for next quarter

- PROFIT will re-engage the oilseed buyers to investigate opportunities for developing relationships with smallholder producers
- The first cooperative vegetable production will start on the Chanyanya Smallholder Project

Vet Services and Beef Industry Pathway:

Theme 1: Improving participatory government oversight as a key to private vet services provision

Achievements against benchmarks

1) A pilot process implemented in a selected trial area of the 'critical' services and functions including the private and public sectors operating in their roles as defined by the Livestock Development Plan.

- No pilot process has been implemented yet. However, as a way of integrating private vets in oversight and regulation as well as disease control, government has asked Herd Health Plan (HHP) implementing vets to participate in the IFAD-funded Small Livestock Investment Programme (SLIP)

2) At least 4 Vet Network working group workshops conducted, establishing clear oversight and regulatory framework/ roles for the public sector (2 on limited budget)

- No private vet network meetings were held with the government over the quarter. The next network meeting is planned for next quarter in the month of May 2009.

3) Pharmaceutical Act reviewed in support of the Vet Industry

- Not much headway has been made on this issue during the quarter. The feedback from the Ministry of Justice on the proposed revised Act which was presented last quarter is still being awaited. The responsible committee in the Ministry of Justice is likely to sit in May 2009.

4) Clear Cattle Movement Requirements agreed upon and implemented

- The government has been engaged through various District Veterinary Offices to avail the Cattle Movement Requirements to cattle farmers and other relevant stakeholders so as to facilitate the implementation of these by all players.

5) Awareness of MACO Oversight & Regulatory Roles increased by publicity campaign

- No progress was made on this during the quarter due to funding constraints in the Ministry of Agriculture. However, it is hoped that the situation will improve following the national budget approval.
- A successful meeting was held with Dr. Songolo, the Deputy Director of Disease Control in the Ministry of Livestock in February which helped to define the government oversight and service provision roles.

Additional Achievements

- Public vets are beginning to playing a role in private sector service provision. For example, the DVO in Mumbwa District, Dr. Chazya, is now implementing a the HHP programme in Mumbwa that was originally established by a private vet.
- As a way of integrating Private Vets in oversight and regulation as well as disease control, the Ministry is working with Dr. Cantlay of Leloisa Vet services in Mkushi and other stakeholders to pilot a disease free zone in Mkushi district. This is an example of Ministry of Livestock taking on an oversight role, over a stakeholder-driven process

Challenges

- The implementation of the pharmaceutical legislation still remains a huge threat to the growth of the vet services industry in Zambia.
- The dual role of public vets as regulators and players may be confusing and restricting to industry growth.

Activities planned for next quarter

- Continue working with the Department of Disease Control on Clear Cattle Movement Requirements
- Continue to work with DVOs and Veterinary Assistants to implement HHP, one –off services and drug sales

Vet Services and Beef Industry Pathway:

Theme 2: Fostering market output linkages as a key to private vet service expansion

Achievements against benchmarks

1) At least 2 commercial buyers buying from smallholders through centralised off take markets

- Due to movement restrictions imposed by the Government, there was no buying activity by commercial buyers through centralized off-take markets over the quarter.

2) At least 5 emerging farmers start to improve their herds through proper management including purchase of commercial bulls.

- In the quarter under review, emerging farmers have not purchased commercial bulls however those previously purchased are being well managed and should start to show results during this calendar year.

3) MACO supporting cattle sales and movement in HHP herds

- MACO has been officially engaged to support the animal sales through the Mumbwa sale yard following the partial lifting of the cattle movement ban.

Challenges

- Though the ban on cattle movement has been lifted in Mumbwa, cattle movement restrictions remain – for example, only frozen carcasses can be moved from Southern Province. Such restrictions still pose a huge hindrance to the growth of output linkages to small holders.

Activities planned for next quarter

- Continue to work with stakeholders on the use of the cattle sale yards in Mumbwa and Monze/ Choma
- Work on establishing relationships between Zambeef, Grasmere, Savannah Beef and beef farmers to improve smallholder access to commercial markets
- Since commercial market linkages are still very weak, it is important for PROFIT to keep facilitating the transition from social to commercial management of the cattle in rural Zambia

Vet Services and Beef Industry Pathway:

Theme 3: Integrating vet service provision through Ag-input firms

Achievements against benchmarks

1) At least 3 Ag input firms employ vets

- Currently, only Minelands has directly employed a vet to assist in driving the sale of vet services and products and this remains challenging. Revenues are less than sufficient to support this service and additional service opportunities are being developed.

2) At least 5 strategic alliances between vets and input firms established

- A strategic alliance was initiated between a private vet, ERL, and Livestock Services – a major livestock products supplier. Livestock Services is willing to work with ERL by providing trade credit of up to K10,000,000 (\$1,839).
- Twiga has initiated plans to work with Dunavant spray service providers to push cattle spray services and dips through a network of up to 149 sprayer service providers in Eastern Province.
- Twiga has made plans to engage a private vet, Dr. Chaka in Eastern Province for Dr. Chaka to offer technical support and training to sprayer service providers on dips and basic cattle services

- 1 Vet firm (J.J. Phiri) successfully conducted a Community Livestock Worker review meeting with his nine CLWs to assess the performance of the business in the last quarter and map the way forward, including defining ways to upgrade the skill base of the CLWs



Private vet, Dr Phiri (star) CLWs having small group discussion at review review meeting Chipata, meeting, Chipata, Zambia

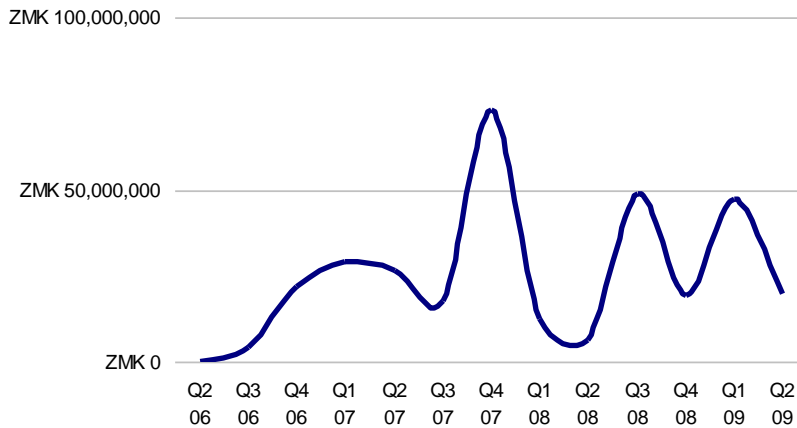
3) At least 400 agricultural retail agents providing basic vet services and cattle sprayer services

- Currently seven agents are engaged by Landserve Agri-services and Leloisa Vet Clinic, providing basic vet services, including cattle spraying, in Mkushi District

Additional Achievements

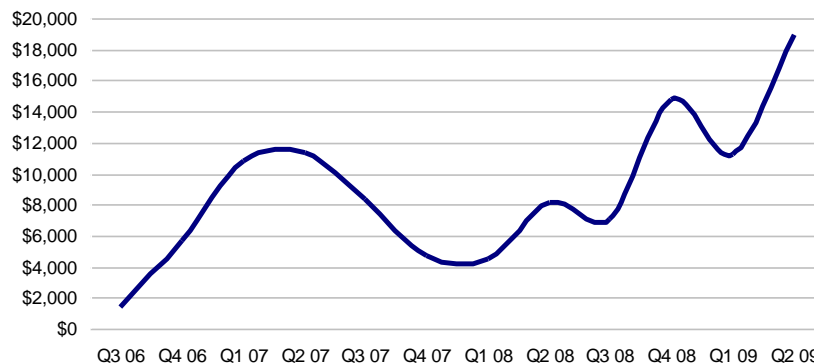
- During the quarter, approximately \$3,600 was generated by the sale of herd health contracts, which represented a 39% decline compared to the previous quarter. Despite the decline on the HHP sales, this is compensated by the increase in drug and one-off service sales which are being bought by SHs

Sales from HHP Contracts (ZMK)



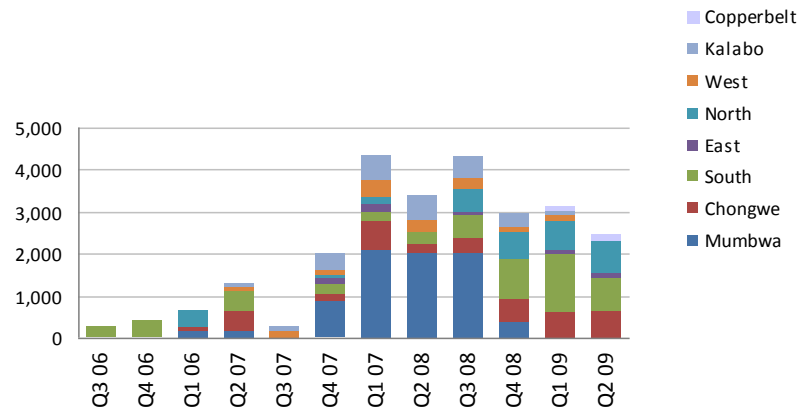
- Drug and service sales over the quarter were worth over \$18,000 compared to over \$10,000 during Q1 09. This gives an increase of 80% over last quarter's figure.

Sales of Private Vets Services/Products (ZMK)



- The number of animals accessing one-off services at the end of Q2 09 was 14,422 compared to 7,549 for Q1 09. This gave an increase of 91% over last quarter's figure.
- The number of animals on vet contracts as at the end of the quarter was 2,229. Of this number 1,289 (58%) were dairy type animals and 940 (42%) were beef animals.

**Number of Animals on contract
by region**



- In an attempt to meet changing market demand, Leloisa Vet services changed the way it does business in Ndola and Kabwe by conducting targeted vet promotions for farmers interested in one-off services such as dipping services. Further, Leloisa offered a discount of 7% to the Mpima HHP farmers on every drug purchase.
- 2,467 farmers attended in-community livestock-orientated promotional events over the quarter of which 2,090 (85%) were men and 377 (15%) were women.
- A total number of 73 in-community events were done during the quarter under review, of which 22 (30%) were without PROFIT support.
- Of the total number of 54 Community Livestock Workers (CLWs) that are working with the private vets during this quarter, 28 (52%) were on contract during the quarter. 36 Southern, 3 Copperbelt, 3 Central, 3 Lusaka, 9 Eastern,
- 7 livestock communities made investments in infrastructure development, largely associated with the rehabilitation of crush pens and dip tanks. This brings the number of communities investing in local infrastructure development for FY 09 to twelve (12).

Challenges

- Agricultural retail firms still don't recognize the livestock sector as a big market for their products so they are not willing to invest a lot of resources e.g. Minelands is still not providing the vet with enough logistical resources to market livestock products.
- As a result, retail companies are reluctant to invest in training cattle sprayer service providers.

Activities planned for next quarter

- Continue to work with agricultural retail agents to promote and provide basic vet services and cattle sprayer services
- Continue promoting strategic alliances between agricultural retail firms and vets

Dairy Industry Pathway:

Theme 1: Improving Inter-firm cooperation – strengthening commercial relationships

Achievements against benchmarks

1) At least 4 alliances/ partnerships between private sector companies established

- The partnership formed between Agrivet (a veterinary supply company) and Dairy King (a dairy processor) to jointly employ a dairy extension officer covering the greater Lusaka area is performing well. Agrivet is satisfied by the arrangement as it has expanded its customer base into new geographic areas beyond Lusaka and the processor anticipates increased milk volumes and stronger customer loyalty through the provision of embedded extension services.

Additional Achievements

- Nice Products in Ndola is now considering inviting a feed company to open a distribution centre in their upcoming milk collection centre.
- PROFIT facilitated the US ambassador's visit to smallholder dairy farmers at Mpima in Kabwe during Q2 09. Under discussion were the topics of smallholder output aggregation and herd health management.



US Ambassador, Donald Booth, visits Mpima Milk Collection Centre in Central Province and discusses dairy issues with small scale producers, January 2009

Challenges

- Alliances are based on trust and building these trust based relationships in the commercial sector takes time.
- Delay in receipt of obligated funding may curtail momentum of project activities which are calendar/season specific.

Activities planned for next quarter

- PROFIT will promote the concept of alliances between processors and vets to deliver a comprehensive series of training modules. These modules have been developed and are now ready for distribution. Parmalat has agreed to be the first processor to promote these training manuals on a fee for service basis.
 - Progress has been made on plans for the Zammilk extension officer and it is hoped that this activity will get underway in the next quarter. It is hoped that Zammilk will steer this activity with minimal PROFIT intervention.
 - PROFIT will continue to attempt to broker an agreement between Parmalat and Leloisa Vet Services to facilitate an advanced payment option for the provision of Herd Health Services.
-

Dairy Industry Pathway:

Theme 2: Stimulate the development of industry-critical support markets

Achievements against benchmarks

1) An increase in productivity per small holder dairy cow of at least 10 % over base line levels

- Progress against this indicator will be established during the annual PROFIT on-farm survey in Q4 09

2) An increase in profitability per small holder dairy cow of at least 10% over base line levels

- Progress against this indicator will be established during the annual PROFIT on-farm survey in Q4 09

3) An increased volume and value of productivity enhancing inputs sold to dairy farmers by at least 10% over base line levels

- Progress against this indicator will be established during the annual PROFIT on-farm survey in Q4 09

4) At least 1,000 dairy type animals accessing dairy herd health services

- During the quarter, 1,289 dairy type animals were accessing various herd health programmes promoted by vets in Central and Southern Provinces.

5) At least 2,000 farmers trained in dairy herd health and productivity management

- The total number of farmers trained this quarter in herd and productivity management came to 576, comprising 380 men (66%) and 196 women (34%). The farmers were trained in a range of activities covering health and forage. There was an 86% increase

over Q1 09 figure of 671. This brings the number of dairy producers trained for FY 09 to 1,247.

6) At least 90 farmer training sessions organized by private sector input/service providers

- During the quarter, 576 farmers accessed some form of training in 43 separate events by private sector service providers related to improved productivity. The forage demonstration activity continued to provide a strong focus for provision of production enhancing technologies.
 - The demonstration plots featuring improved pastures for forage (Kowkandy) which were established by Hygrotech proved very successful with many farmers commenting that milk yields were increased as a result of feeding this improved fodder. Most encouraging was the fact that several of demos farmers purchased additional Kowkandy seed enabling them to grow considerably areas of this of this high value forage crop
 - The maize silage demonstration plots in Lusaka South and Chisamba area were harvested and silage was made. This activity generated considerable interest with many farmers eager to make silage now that they understood the process.



Silage making demonstration at Makeni, Lusaka South in March 09

- Parmalat, satisfied with their first ever dairy extension officer, have indicated willingness to employ a second extension officer.

Additional Achievements

- Camco, an agricultural equipment supplier, has become involved in the silage making demos which they wish to use as a platform to promote their range of machinery. This provides a link to emerging commercial dairy farmers with whom they previously were not in contact.
- Farmers who visited the silage demonstrations are making silage in a small scale way i.e. 1-3 limas. The success of these small scale efforts will be very encouraging and will hopefully provide the incentive to adopt fodder production and conservation as a practice not just for the large scale commercial farmers.

- Leloisa veterinary services have commenced in March a series of additional promotional visits to the Copperbelt to increase their presence among dairy farmers. This will help it to formulate a long term strategy as regards provision of this service in the Copperbelt.
- Leloisa are training two Community Livestock advisors who they will employ within the dairy community to provide onsite basic services.
- Gemini vet clinic in Monze is receiving a transport subsidy to facilitate movement and promotion of HHP.

Challenges

- Lack of practical know-how within the dairy sector provides a serious impediment to private sector-driven promotion of improved farming practices.
- Delay in receipt of obligated funding may curtail momentum of project activities which are calendar/season specific.

Activities planned for next quarter

- The continuation of the above activities.
- Continued expansion of numbers of animals under herd health contracts and participating vets.
- The distribution of the Basic Guide to Dairy Farming training modules will be distributed and it is hoped they will be paid for by the dairy processors – with Parmalet being the first. Proceeds will be directed to ZDPA
- Starting the production of dry fodder demos using maize stover.
- Introduction of additional demo farms in conjunction with vets on HHP programme
- A prototype mobile spray race is being designed as a possible alternative to the traditional bricks and mortar option. It is hoped that this will provide a flexible alternative that can facilitate movement of vets into cattle dense areas where they would normally be reluctant to travel due to time and logistic constraints combined with a lack of dipping facilities.

Achievements against benchmarks

1) At least 6 processors engaged in improving and /or value added processing and production of dairy products.

- During the quarter, ongoing technical support continued to processors in improving product quality and looking at alternative products to complement existing product lines. Two processors are now working closely with Lake International SA who supplies CHR Hansen cultures into this market. Lake offer technical advice towards enhancing product flavor / textures which in turn improves the overall product quality.
- Dairy King has finalized and printed their new yoghurt shrink label, which should be introduced to the market during the next quarter. It is anticipated, as the first Zambian processor to go this route that sales will increase with packaging now on a par with imported products.
- Diamondale is currently costing the production on new products lines to add to their limited product base. Drinking yoghurt and flavored milk are two lines being looked at.
- Nice Products await a new blow-molding machine before launching two litre fresh pasteurized milk containers into the market. They have also perfected refrigeration free, shelf stable (4 weeks) yoghurt which they wish to introduce over the coming months.

2) At least four processors adopting improved process technologies.

- Two processors have adopted new processing technologies over the quarter:
 - Parmalat with the assistance of the PROFIT Dairy Industry Development Fund, has procured a further five 1000 litre transportation tanks to assist in the collecting of the increased volumes of raw milk and stabilize the milk quality during the transportation period.
 - Diamondale commissioned their processing line and have added two extra days shelf life to the product due to a vast improvement in the product quality. More equipment has been added in this quarter and will be commissioned in the next quarter.

3) At least four processors will have functional in-house laboratories.

- No new processors were targeted this quarter; the three companies previously trained continue regular testing of products and in some cases have introduced new tests for other parameters.

4) One independent laboratory commissioning a dairy testing service.

- Due to budget constraints this program was put on hold for several months. All activities will now be moved to the next fiscal year.

Additional Achievements

- Zambia Bureau of Standards held nine food safety training session over this quarter training 77 processing workers, bringing the total number of workers trained to date to 111. Parmalat and Nice Products were the latest processors to join the program.
- ZDPA elected a new board of directors to see the association through the next 12 months. Concentrating on the sustainability of the association the new board has changed existing subscription fees; put an emphasis on collected outstanding debts and putting a workable budget together for the 12 month period. The new board members are made up of key dairy industry personnel.
- Agri-Inspect completed their assignment of monitoring the national borders and have presented a report to Land O' Lakes that shows evidence of illegal import activity.

Challenges

- Despite a growing dairy market, processors are still reluctant or slow to invest the required capital in product upgrading and safety processes
- Poor regulatory practices reduce the incentives for processors to improve products quality.

Activities planned for next quarter

- Steadman Group Zambia will complete both the market audit and consumer usage and attitude study on behalf of ZDPA. This will be presented to the association at a stakeholders meeting during May.
- Following on from this initiative, work will continue with ZDPA to promote it as a recognized collective voice for the dairy industry.

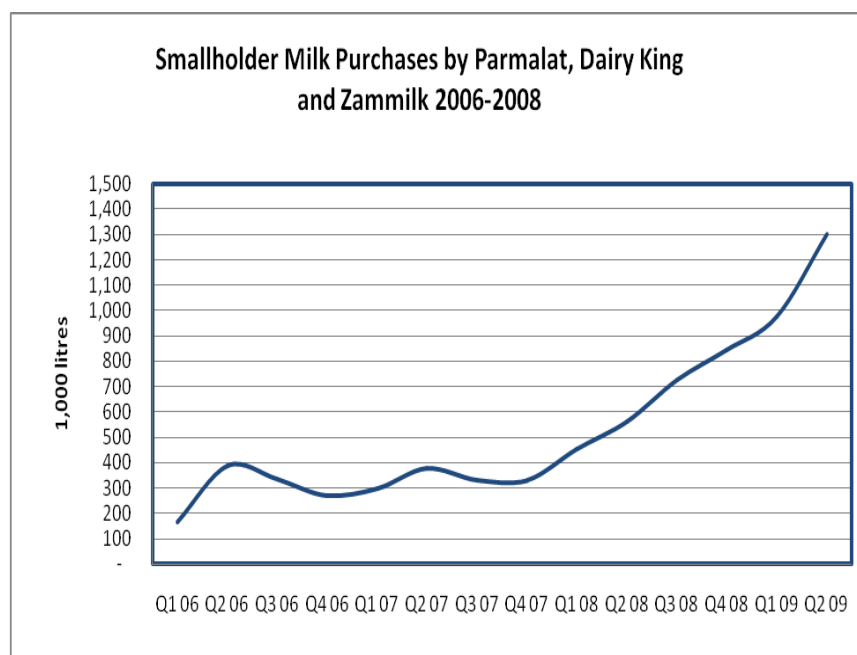
Dairy Industry Pathway: Theme 4

Increasing the contribution of smallholder suppliers to the formal milk market

Achievements against benchmarks

1) Increase the volume of milk collected by processors from small scale dairy farmers by at least 250,000 litres

- During the quarter, over 1.3 million litres of milk was collected from smallholders by three commercial processors. This includes Parmalat, Dairy King and Zammilk who bought 1,040,000, 162,000 and 98,000 litres respectively. This increase of almost 325,000 litres represents a 33% increase over the last quarter's figure of 976,000 litres.



- Dairy King continues to improve its supply of smallholder origin milk with a constant increase although reduced slightly over the last quarter, of over 4,000 litres per month over the last quarter.
- Parmalat's new Kabwe collection route collected in excess of 146,000 litres per month over the quarter, up from 120,000 litres per month during the previous quarter. The increase of 26,000 litres over last quarter's figure represents a 22% increase.

2) Increase the proportion of raw milk sourced from smallholder by targeted processors by at least 12%.

- 8 % of all Zammilk's processed dairy output in this quarter was from smallholder suppliers.

3) At least \$200,000 of finance /capital granted to processing sector by PROFIT Dairy Industry Development Fund in support of smallholder integration

- To date \$140,000 USD has been granted to the processing sector for activities ranging from new innovative, milk collection centers and milk transportation routes. New grants awarded during the quarter include:
 - Dairy King \$25,000
 - Nice Products \$35,000
 - Zammilk \$30,000
 - Parmalat \$30,880

Due to budget constraints this program was put on hold for several months. All activities will now be moved to the next fiscal year.

Additional Achievements

- To ensure that raw milk is available as new product lines are introduced, Nice Products with the assistance of the DIDF fund are in the process of establishing their own milk collection center in the Misundu area of Ndola District. Work has recently begun on this MCC, delayed by the longer than normal wet season.

Activities planned for next quarter

- Ongoing collaboration with the private sector to establish their own milk collection systems in strategic rural locations
- Continued collaboration with the private sector to increase milk collection and transport logistics.
- Facilitate and support the training of a refrigeration technician to service and maintain Southern Province refrigerated bulking centers in collaboration with Parmalat.

The delay in receipt of obligated funding may curtail momentum of project activities which are calendar/season specific.

Achievements against benchmarks

1) One or more banks making significant efforts to engage the agricultural and SME markets, and investing in staff capacity to operate in these markets

- During March, PROFIT engaged two international consultants to design and deliver a training course on agricultural credit to 30 ZANACO staff, including credit analysts, agricultural relationship managers, rural branch staff and senior managers. The two, two day courses focused on:
 - Marketing and Prospecting for Agricultural Loan Prospects
 - Agricultural Credit Analysis
 - Credit Administration for Agricultural Loans
 - Loan Monitoring and Portfolio Analysis
 - Loan Workout and Loss Prevention in the Agricultural Sector
 - Service and Cost Issues for Rural Customers
 - Agricultural Leasing and Other Innovative Products

The feedback from the courses was very positive, coming as they did shortly before ZANACO launches its rural banking initiative which will work with the International Finance Corporation (IFC) and ZANACO programme on emergent farmer access to finance.

- Also during March, PROFIT delivered the same course in a shortened, one-day format to four, very engaged and pro-active senior staff at African Banking Corporation. The bank requested the training as part of efforts to incorporate agricultural lending into their new SME and retail division.

2) Two leasing vendor agreements in operation with at least 10 deals completed with emergent farmers seeking to develop a service-based revenue stream.

- One leasing vendor agreement is in place (between Farmnet and ICC), but currently no emergent farmers have accessed finance through the agreement during the quarter.

3) At least one alternative financing model developed through which smaller businesses can access longer term developmental financing

- PROFIT began working with Lloyds Financials Ltd on the development of an African Carbon Credits Exchange (ACCE) by providing technical assistance to the newly formed exchange on its business plan. PROFIT is interested in providing assistance to ACCE to simultaneously develop and establish a role for itself in the market, and also to investigate the potential market in Zambia as a pilot country for carbon finance, and ensure that Zambia is 'carbon market ready', in terms of the current compliance market

(deemed to be worth 4.4 million Certified Emissions Reductions (CERs) per year currently, according to a forthcoming UN funded report), the various voluntary markets. The potential longer-term benefits are substantial: possibly millions of dollars in inward investment, significant job creation and rural poverty alleviation, and not least, a major contribution to the effort to halt or reverse global climate change.

4) At least one outgrower scheme is completing the majority of its transactions with smallholders across the m-banking platform.

- Dunavant is working towards the payment of the members of its 'Gold Club' of producers through e-payment during the next cotton marketing season which will commence during the next quarter. The system is fully tested and all preferred suppliers should receive payments electronically.

5) At least 3 ZAMACE warehouse receipts issued and financing secured against them

- Due to the continued intransigence of the banking sector and the disincentives for commodity storage over the past three months of volatile market activity and lack of stock, no ZAMACE warehouse receipts were issued.
- However, high level discussions with ZANACO and Rabobank have resulted in the offer of a package of international technical assistance to ZAMACE on warehouse receipt financing, with a view to ZANACO becoming a market leader in these financial products. The technical assistance will be provided in the next quarter, and ZANACO aim to offer warehouse receipt financing to a number of their clients under the 'Emergent Farmer Finance Scheme' during the 2009 marketing season.
- This initiative has been made more attractive from the bank's standpoint by the finalization of the USAID and African Development Bank credit guarantee facility, which can be applied to loans of this nature.
- ZAMACE and PROFIT held preliminary discussions with Lloyds Financials towards the end of the quarter to lay the foundations for Lloyds to develop a warehouse receipting product, a market innovation which the company wishes to bring spearhead.
- ZAMACE and PROFIT made a presentation to Access Bank regarding the bank's interest in developing commodity-backed lending products.

Additional Achievements

- PROFIT provided a legal expert to assist the Bank of Zambia's Financial Sector Development Programme to develop legislation that supports the expansion of the leasing sector. After an initial scoping intervention in November, Mr. Gary Kelly drew up a drafting report setting out some of the parameters for new legislation and/or regulation around leasing and returned to Zambia in February to present his report to a wider selection of stakeholders, including the Attorney-General and the Law Association of Zambia, members of the judiciary and the Ministry of Finance and National Planning. The final deliverables to the Bank of Zambia were the final draft of the legislative report and also a 'layman's draft' of a Bill to be presented to the Ministry of Justice for formulation into a final policy document
- After three years of development facilitated by PROFIT and final Bank of Zambia approval in November 2008, the Mobile Transactions Zambia Ltd e-payments platform

became active over the quarter. The first transaction, a town transfer through an MTZL agent in Nakonde, Northern Province, was undertaken in March. The company is now set on a rapid expansion plan, with over 120 rural agents (including the Total service station network) now formally engaged, and 58 sales staff deployed across rural Zambia to start generating business. The platform was also promoted by PROFIT and MTZL over the quarter as a potential vehicle through which to deliver a reformed agricultural inputs subsidy programme.



The proprietors of Gesika Drug Store in Nakonde, with the first client of the Mobile Transactions Zambia Ltd town transfer payment system. The client's funds were successfully sent from Lusaka to Nakonde

Challenges

- Poor financial literacy among potential lessees seeking equipment finance in the emergent farming sector is a major constraint to successful lease transactions
- ICC, the finance principle in the one vendor agreement facilitated by PROFIT, underwent a major recapitalization process at the end of the last quarter, and their activities, especially in the SME sector, have reduced.

Activities planned for next quarter

- A major priority, leading up to the 2009 crop marketing season, will be working with the two financial institutions that are interesting in driving warehouse receipt finance to develop a workable model for engagement with ZAMACE in this sector.
- PROFIT plans to assist Lloyds Financial to assemble a detailed business case and strategic plan for ACCE, which will involve analysing the best market mechanisms to target (compliance and/or voluntary markets) and to which international carbon trading entities it would be most appropriate to strategically align ACCE.
- Simultaneously, PROFIT plans to assist ACCE to assess the Zambian potential to leverage international carbon markets, evaluating the potential for compliance (Kyoto Protocol based CDM) and voluntary markets.

Administration and Field Team management: Theme 1:

Fostering improved knowledge management within market facilitation field team

Achievements against benchmarks

1) At least 2 Staff management trainings conducted

- The first staff management training of the year was conducted from 12th January 2009 and was combined with the PROFIT regional review and planning meeting as a way of targeting the project resources to achieve increased impact of scale in the remaining time frame. Key outputs, included staff movement to higher potential areas to maximize their contribution towards the PROFIT end goal. 3 staff members have been moved;

Staff	Previous Location	Current Location	Current Task
Catherine Mathatha	Western – Mongu	Southern - Choma	Focus on the Livestock Industry.
Mainancey Hampeyo	Western – Kalabo	Lusaka – Chongwe	Crop and Livestock sectors.
Cholwe Kagoli	Lusaka – Chongwe	Central - Kabwe	Crop and Livestock sectors.
Chisanza Chilangwa	Western – Kalabo	Kalabo	helping to wind down the PROFIT activities in Kalabo.

2) At least 16 Regional Team meetings conducted

- 7 Regional staff meetings conducted during the quarter focusing maximizing the PROFIT market facilitation interventions to build the capacity of the service providers to enhance their ability to develop and improve their industry competitiveness in the remaining project time frame.

3) Staff Annual evaluation conducted

- Achieved and done in the last quarter.

4) Staff performance incentives/awards schemes implementation

- The Staff performance incentives/awards schemes is progressing well and during the quarter under review were as below:

Staff	Award	Description
Kenny Silwimba	Missed the Net Award	Leveraging Partners to Scale Demo Distribution
Enock Siankwilimba	Innovation of the Months Award	Opportunities for Spray Service Providers
Alex Hasingo	Innovation of the Months Award	Opportunities for Spray Service Providers

5) Conduct regular field technical backstopping

- The technical team has intensified its back stopping with the field staff as a way of providing both technical and supervisory role.

6) Staff exchange visits continue to be implemented

- Staff exchange visits continue to be implemented. One key exchange visit between Enock and Alex resulted into opening new opportunities for spray service both in the South and Eastern Region. Business Advisors are facilitating linkages between SSPs and new business opportunities. SSPs are now being engaged to spray along ZESCO pole lines and around substations, to spray house interiors to kill mosquitoes, and to spray cattle to get rid of ticks.
- PROFIT field Staffs played host to 6 EU funded MORE project staffs in the quest to influence other donor projects to engage in market facilitation approach. MORE officers were placed or sent to visit PROFIT project sites for a period of at least three days to observe on the ground and then later convene in Lusaka for Report Back and Reflection. The participating officers from MORE were then challenged or tasked to see what aspects of PROFIT methodologies they could run with initially when they return to their respective duty stations.

7) All component managers maintain effective performance and budget management practice

- Entire staff now more aware of budget and budgetary constraints. Each staff member has a budget attached to the workplan output targets and are more actively involved in ensuring that resources are handled effectively.

8) Full accounting and budget MIS developed and implemented as standard field practice

- Achieved while still working to speed up full budget monitor reports to more fully report budget actual on a timely basis.

9) Monthly accounts files submitted by 5th of each month with hard copy transmission by 15th

- Achieved

10) Continued implementation of ODC cost management systems complimenting monthly MIS reporting

- Achieved

11) Conclude auction of obsolete equipment during Q1 FY 09

Awaiting ZRA approval of the auction process

Monitoring and Evaluation: Theme 1

Fostering the culture of learning at every stage of the pathway

Achievements against benchmarks

1) Data quality assessment reports concluded which will identify data collection gaps and data collection training needs.

- Data collection and analysis trainings completed
- Data collection gaps identified via field visits and feedback given to portfolio managers and BAs on the requirement for data to be of the highest quality.
- Continued Monthly communications and feedback with all BAs as a way of regular checking and verification of monthly data submitted to head office in order to ensure consistent and quality data is being collected.
- Data quality assessments done in the Eastern, Copperbelt, Central and Northern regions.

2) Quantitative tool revised and in use

- Monthly quantitative data collection tool fully in use by BAs

3) Qualitative tool revised abridged and in use

- Qualitative tool fully in use by the BAs

4) At least one formal assessment of how BA's are utilizing the skills and knowledge to facilitate the development of the private sector

- Assessment done and BA training needs identified which include business and market facilitation skills

5) Quarterly and annual reports concluded on time

- One quarterly report concluded for the second quarter of 2009 bringing the number of quarterly reports done for FY 09 to two (2).

Additional Achievements

- Two monthly narrative report review meetings done with portfolio managers as a way of enhancing follow up on issues that BAs raise every month and on which they need support.
- 3 trainings were done for BAs over the quarter covering data collection and analysis, report writing and notes from the field. Additional topics covered included impact assessments and team building. Team building training conducted over the quarter as a way of fostering team spirit and open communications among team members and head office.

Challenges

- Exploitation of data collection and analysis skills by BAs
- Inadequate use of administrative and monitoring tools by the firm staff to aid in agent network monitoring

Activities planned for next quarter

- Market facilitation and business trainings
 - Data quality assessments to be done in Mumbwa and Chongwe
-

Monitoring and Evaluation: Theme 2

Improving private sector firms' ability to monitor and evaluate their own agent networks

Achievements against benchmarks

1) At least 20 firms will have implemented internal monitoring and evaluation systems

- 4 firm assessments were conducted with Private sector firms including Pannar, MRI, Minelands and Cropserve to facilitate their appreciation and internalization of the monitoring function in their businesses. Firms are monitoring the performance of the agents through line staff that are working directly with the agents such as Shop managers but are yet to implement full agent M&E systems.

2) Complete the firm agent network management manual

- Firm agent network management manual being finalized and to be ready for circulation in the next quarter.

3) Integration of firm Monitoring and Evaluation section into the agent network manual

- Firm M& E segment integrated in the firm agent network management manual.

Additional Achievements

- MRI and Pannar monitoring their agents and using performance reviews as a basis for rewarding best performing agents.

Challenges

- How to ensure that the firms are following the agent management systems that they come up with – in other words to value the system and internalize its use.
- Inadequate monitoring of the agent and CLW networks by ag-input firms and vets leading to failure to get a more accurate picture of the system.

Activities planned for next quarter

- 6 firms to have developed Firm M and E Systems
- Training firm staff in basic monitoring and evaluation and use of the agent management handbook

Monitoring and Evaluation: Theme 3

Intensify internal evaluation of impact as measured by results of behaviour change and develop improved methods of knowledge dissemination

Achievements against benchmarks

1) Four household surveys completed

- One HH survey to be done in the next quarter. The number of HH surveys conducted and completed to date for FY 09 is 1.

2) One detailed report on the household surveys compiled – feeding into the documentary process

- To be done in the fourth quarter of FY 09.

3) Increased knowledge among BAs and firms staff in answering the “so-what” question

- Monthly impact survey report preliminary findings shared with the teams. Report to be finished and circulated in the next quarter

4) At least one digital video documentary produced highlighting PROFIT intervention method and results

- The video production team started collecting footage to input into the final end of PROFIT project documentary. The areas covered during Q2 09 included Kabwe in Central, Mpongwe in Copperbelt, and Mapepe in Lusaka province

5) At least 20 notes from the field produced and disseminated

- Two notes from the field produced and four are in draft form. This brings the number of notes done for FY 09 to four
- One note (note #8) was edited and featured on the USAID microlinks website.
- PROFIT TA invited to present “project communication – best practice” at the USAID partners meeting.

Challenges

- Ensuring that an accurate picture reflecting the impact of the project is presented especially focusing on the impact that private sector has on the smallholder economy.

Activities planned for next quarter

- Video production team to continue capturing field scenarios to input into the final video documentary showing the results of the PROFIT interventions
- Produce and disseminate 5 notes from the field
- One (1) household survey to be done by the end of the quarter

HIV and AIDS support development: Theme 1

Increasing Community Awareness about HIV and AIDS – Implementation of a peer education programme

Achievements against benchmarks

1) At least 10,000 people will be reached through the peer education programme in each district by the end of the project period – cumulative at least 30,000

District	Males reached	Females reached	Total reached	Total reached (2009 cumulative)
Mumbwa	2,459	2,420	4,879	5,176
Mkushi	916	726	1,642	1,915
Chama	2,056	2,020	4,076	6,114
Total	5,431	5,166	10,597	13,205

Additional Achievements

- 27 new peer educators were trained in Kabwe as part of an initiative to push HIV/AIDS education into the dairy sector. The new PEs are all local dairy farmers. This brings the total number of active PROFIT trained peer educators to 124.
- PROFIT trained peer educators disseminated HIV/AIDS prevention messages to over 500 people during a Presidential visit to Mkushi District in March
- There are positive outcomes from the work of the PROFIT trained peer educators in Mkushi District. Health authorities confirmed that access to ART has significantly increased in the health centres due to increased sensitization by the peer educators.
- The health service providers in Mkushi also recognized the fact that the peer educators that PROFIT trained were better equipped with information on HIV/AIDS as compared to those that were trained by other organizations working in the area.
- The PROFIT trained peer educators in Nangoma, Mumbwa District have been recognized by the mission hospital there as they are continuously referring people to access services from the hospital.

Challenges

- Long distances between clients in rural Zambia create difficulties for the peer educators.
- There is need for IEC materials to reinforce the messages disseminated by the peer educators.
- There is need to ensure male and female condoms are distributed to the districts as part of the programme.

HIV and AIDS development: Theme 2

Building the capacity of the program implementers within the community

Achievements against benchmarks

1) At least five supervisory visits in Chama, four visits in Mkushi and four visits in Mumbwa

- The Community Coordinator visited Mumbwa during the quarter, and assessed the PROFIT HIV/AIDS programme in the district, and held consultative meetings with the Croppack and Minelands officers regarding data collection. In all the areas visited peer educators are working and have made tremendous progress in the programme
- A supervisory visit was also made to Mkushi during the quarter.

2) Ongoing technical support provided to 123 peer educators

- Achieved

Activities planned for next quarter

- Supervisory visits and data collection for Mkushi, Mumbwa, Chibombo, Chama, Kabwe and Kapiri-Mposhi.